

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.05)

Unit Name* Township of Columbia	County* TUSCOLA	Type* OTHER	MuniCode* 79-1-040
Opinion Date-Use Calendar* Jun 30, 2008	Audit Submitted-Use Calendar* Aug 18, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 140,648.00
General Fund Expenditure:	? \$ 111,360.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 258,459.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 284,422.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Jo Ann	Last Name* Lakie	Ten Digit License Number* 1101017493		
CPA Street Address* 41 East Main Street	City* Sebawaing	State* MI	Zip Code* 48759	Telephone* +1 (989) 883-3122
CPA Firm Name* Nietake & Faupel P.C.	Unit's Street Address* 41 East Main Street	Unit's City* Sebawaing	Unit's Zip* 48759	

**TOWNSHIP OF COLUMBIA
TUSCOLA COUNTY, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2008**

791 040 2008

TOWNSHIP OF COLUMBIA

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INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Members
Township of Columbia
Unionville, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Columbia, Tuscola County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township of Columbia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Columbia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Columbia, Tuscola County, Michigan, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Nietzke & Faupel P.C.
NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

June 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Columbia's Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements. The discussion and analysis is not comparative as the audit is performed bi-annually.

Financial Highlights

The following points represent the most significant financial highlights for the year ended March 31, 2008. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the general fund increased from \$229,171 to \$258,459 during the past year. This increase of \$29,288 is due primarily from cutting costs.
- State Revenue Sharing payments for the year totaled \$56,003. This was \$10,003 higher than the budgeted amount of \$46,000. For comparison, the State Revenue Sharing payments for fiscal year 2006-07 totaled \$55,540.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view used the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows a condensed view of the net assets as of March 31, 2008:

	Governmental <u>Activities</u>
Current assets	\$ 590,824
Noncurrent assets	<u>593,859</u>
Total assets	<u>\$1,184,683</u>
Current liabilities	\$ 80,951
Noncurrent liabilities	<u>265,806</u>
Total liabilities	<u>\$ 346,756</u>
Net assets:	
Invested in capital assets	\$ 309,437
Unrestricted	<u>528,489</u>
Total net assets	<u>\$ 837,926</u>

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$528,489. This is approximately 63% of the net assets for governmental activities.

The following table shows the changes of the net assets during the year ended March 31, 2008.

	<u>Governmental Activities</u>
Revenue:	
Program revenues:	
Charges for services	\$ 44,060
Operating grants	19,192
General revenues:	
Property taxes	239,188
State shared revenues	59,442
Unrestricted investment earnings	15,943
Miscellaneous	<u>1,512</u>
Total revenues	<u>379,337</u>
Expenses:	
General government	70,476
Public safety	50,905
Highways & public improvements	223,130
Sanitation	17,888
Library	<u>68,091</u>
Total expenses	<u>430,490</u>
Change in net assets	(51,152)
Net assets - Beginning	<u>889,078</u>
Net assets - Ending	<u>\$837,926</u>

Capital Assets

As of March 31, 2008, the Township of Columbia had a total of approximately \$593,859 (net of depreciation) invested in capital assets including land, building, and equipment. The Township recently acquired additional property to expand their library services and also update and expand the township offices. The total cost of the new library building and township office was \$476,233. The library fund purchased the property in 2003 for \$85,000 which is included in the total amount. The funding for the new building is being provided by the general fund and borrowings from a local bank. The total amount of the note payable to the bank on March 31, 2008 is \$284,422.

Economic Factors and Next Years Budgets and Rates

This fiscal year budget for 2007-08 was at \$437,000. Drains at large continue to be a large expense to the Township funds. The general fund budget continues to allow for payments to the principal and interest payments for the new Township building.

Due to the Tuscola County Road Commission's schedule being open, the Road Commission requested to complete the paving of Ashmore Road from Bay City-Forestville to Huron Line Roads, which was scheduled for completion in the 2008-09 budget.

Road construction/maintenance is currently a difficult task for the Township to keep up with due to the extreme rise in cost of road construction materials.

The township's property tax millage for 2008-09 is 5.3957.

The fiscal year budget adopted for 2008-09 is \$383,500 broken down as follows: General fund \$144,500, Fire and Ambulance fund \$52,000, Roads \$129,000, Garbage and Rubbish Collection fund \$20,000 and Library fund \$38,000.

(Continued)

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Christine Kolar Township Clerk, 4870 French Road, Unionville, MI 48767.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF COLUMBIA, TUSCOLA COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
MARCH 31, 2008**

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 573,430
Taxes receivable	<u>17,394</u>
Total current assets	<u>590,824</u>
Noncurrent assets:	
Nondepreciated assets	150,578
Capital assets	673,523
Less accumulated depreciation	<u>(230,242)</u>
Total noncurrent assets	<u>593,859</u>
TOTAL ASSETS	<u><u>1,184,683</u></u>
LIABILITIES AND NET ASSETS	
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 51,746
Accrued wages	4,480
Accrued interest	6,109
Current portion of long-term obligations	<u>18,616</u>
Total current liabilities	<u>80,951</u>
Noncurrent liabilities:	
Note payable - Library building	284,422
Less: Current portion	<u>(18,616)</u>
Total noncurrent liabilities	<u>265,806</u>
TOTAL LIABILITIES	<u><u>346,756</u></u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	309,437
Unrestricted	<u>528,489</u>
TOTAL NET ASSETS	<u><u>\$ 837,926</u></u>

The accompanying notes are an integral
part of the financial statements.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008**

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF COLUMBIA
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008

	<u>GENERAL</u>	<u>LIBRARY</u>	<u>FIRE AND AMBULANCE</u>	<u>ROAD FUND</u>	<u>GARBAGE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS						
Cash and cash deposits	\$ 261,027	\$ 25,390	\$ 76,514	\$ 153,640	\$ 56,859	\$ 573,430
TOTAL ASSETS	<u>\$ 261,027</u>	<u>\$ 25,390</u>	<u>\$ 76,514</u>	<u>\$ 153,640</u>	<u>\$ 56,859</u>	<u>\$ 573,430</u>
LIABILITIES & FUND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	\$ 126	\$ 1,027		\$ 50,593		\$ 51,746
Accrued wages	2,442	1,552	\$ 352		\$ 133	4,480
TOTAL CURRENT LIABILITIES	<u>2,568</u>	<u>2,579</u>	<u>352</u>	<u>50,593</u>	<u>133</u>	<u>56,226</u>
FUND EQUITY						
Unrestricted	258,459	22,811	76,162	103,047	56,726	517,205
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 261,027</u>	<u>\$ 25,390</u>	<u>\$ 76,514</u>	<u>\$ 153,640</u>	<u>\$ 56,859</u>	<u>\$ 573,430</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF COLUMBIA

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2008**

Total governmental fund balances \$ 517,205

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore, are not reported in the funds. The cost of the assets is
\$824,101 less the accumulated depreciation of \$230,242. 593,859

Delinquent taxes receivable are not current financial resources for the
governmental funds. 17,394

Accrued interest on long-term debt not payable in the current period and,
therefore, are not reported in the funds. (6,109)

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. (284,422)

Net assets - governmental activities \$ 837,926

TOWNSHIP OF COLUMBIA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	<u>GENERAL</u>	<u>LIBRARY</u>	<u>FIRE AND AMBULANCE</u>	<u>ROAD FUND</u>	<u>GARBAGE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:						
Taxes	\$ 71,564		\$ 42,464	\$ 127,388		\$ 241,416
Intergovernmental	59,442	\$ 17,205				76,647
Fines		16,762				16,762
Charges for services	370				\$ 19,260	19,630
Miscellaneous	9,272	11,484	1,901	3,368	1,265	27,290
TOTAL REVENUE	<u>140,648</u>	<u>45,451</u>	<u>44,365</u>	<u>130,756</u>	<u>20,525</u>	<u>381,745</u>
EXPENDITURES:						
Township board	8,785					8,785
Supervisor	16,072					16,072
Elections	837					837
Clerk	9,221					9,221
Board of review	727					727
Treasurer	10,472					10,472
Buildings and grounds	661					661
Cemetery	7,096					7,096
Drains at large	27,357					27,357
Library		40,113				40,113
Debt service	30,133					30,132
Fire and ambulance			50,905			50,905
Roads				223,130		223,130
Garbage and rubbish					17,888	17,888
TOTAL EXPENDITURES	<u>111,360</u>	<u>40,113</u>	<u>50,905</u>	<u>223,130</u>	<u>17,888</u>	<u>443,396</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>29,288</u>	<u>5,338</u>	<u>(6,540)</u>	<u>(92,374)</u>	<u>2,637</u>	<u>(61,651)</u>
FUND BALANCE-APRIL 1	229,171	17,473	82,702	195,421	54,089	578,856
FUND BALANCE-MARCH 31	<u>\$ 258,459</u>	<u>\$ 22,811</u>	<u>\$ 76,162</u>	<u>\$ 103,047</u>	<u>\$ 56,726</u>	<u>\$ 517,205</u>

The accompanying notes are an Integral
part of the financial statements.

TOWNSHIP OF COLUMBIA

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2008

Net change in fund balances - governmental funds \$ (61,651)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which
depreciation exceeded capital outlay in the current period.

Capital outlays	\$ 10,203	
Depreciation expense	<u>(27,297)</u>	(17,094)

Property taxes receivable will not be collected for several months after the
end of the Township's fiscal year therefore, they are not considered as
"available" revenues in the governmental funds and are, instead, counted as
deferred tax revenues. They are, however, recorded as revenues in the
statement of activities.

Taxes receivable - beginning of year	(19,802)	
Taxes receivable - end of year	<u>17,394</u>	(2,408)

Library building payments affect long-term liabilities in the Statement
of Net Assets and does not affect the Statement of Activities 30,000

Change in net assets of governmental activities \$ (51,152)

TOWNSHIP OF COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Township Operations:

The Township is located in Tuscola County, Michigan, and has approximately 1,419 residents. It is governed by a five person elected board and provides the following services to its residents: fire and ambulance protection, highways and streets, library and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township are discussed below.

Reporting Entity:

In evaluating how to define the Township of Columbia for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township of Columbia is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no component units that should be included in the Township's reporting entity.

Government-Wide and Fund Financial Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, and library, are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWNSHIP OF COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government-Wide and Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Township of Columbia has no proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

(CONTINUED)

TOWNSHIP OF COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Township accounts for the following special revenue funds.

The Fire and Ambulance Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide ambulance and fire fighting services to Township residents. The Library Fund is a special revenue fund used to account for revenue from state penal fines and other revenue allocated to the operation of the Township of Columbia Library. The Garbage and Rubbish Collection Fund is a special revenue fund used to account for assessments collected allocated to collection of refuse. The Road Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide for maintenance and construction of Township of Columbia roads.

The Township reports no nonmajor fund types:

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2008 consist of property taxes. Taxes are deemed collectible in full; therefore no allowance for doubtful accounts has been reported.

TOWNSHIP OF COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Tuscola. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7 to 40
Machinery and equipment	3 to 7
Books, videos, and DVD's	5

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2008 was \$27,297. Capital asset acquisitions in the governmental funds totaled \$10,203 for the year ended March 31, 2008. A summary of Governmental Fund capital assets at March 31, 2008, follows:

Land	\$150,578
Buildings	423,466
Equipment	250,056
Less accumulated depreciation	(230,242)
Net governmental fund capital assets	<u>\$593,859</u>

(CONTINUED)

TOWNSHIP OF COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$21,894
Library	<u>5,403</u>
Total depreciation expense – governmental activities	<u>\$27,297</u>

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

The Township of Columbia Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Township Act, prior to March 1, the Township of Columbia Clerk submits to the Township of Columbia Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed function item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Township of Columbia Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Columbia expenditures and budgeted expenditures for the budgetary funds have been shown on a function item basis. The approved budgets of the Township of Columbia for these budgetary funds were adopted to the activity level.

(CONTINUED)

TOWNSHIP OF COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 2 – BUDGET COMPLIANCE: (CONTINUED)

During the year ended March 31, 2008, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
GENERAL FUND:			
Supervisor	\$16,000	\$16,072	\$ 72
Cemetery	5,000	7,096	2,096
LIBRARY FUND:	38,000	40,113	2,113
ROAD CONSTRUCTION:	100,000	131,830	31,830

NOTE 3 – DETAIL NOTES ON ALL FUNDS:

A. The carrying amount of cash and deposits with financial institutions of the Township of Columbia amounted to \$573,430 at March 31, 2008. The total bank balance as of the same date was \$581,122. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$269,000
Uncollateralized	<u>321,122</u>
Total deposits with financial institutions	<u>\$581,122</u>

All deposits categorized as uncollateralized are the property of the Township of Columbia.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2008.

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. The Township's investment policy limits its authorized investments to the following: checking accounts, savings accounts and certificates of deposits at financial institutions that are insured by the Federal Deposit Insurance Corporation. However, the investment policy does not address the custodial credit risk associated with the deposits in financial institutions in excess of insured limits. The township's deposits and investments are within the authorization as set forth by the Township of Columbia.

(CONTINUED)

TOWNSHIP OF COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)

B. Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2007 tax levy is as follows:

	<u>ASSESSED VALUE</u>	<u>TAXABLE VALUE</u>
Real property-Regular roll	\$53,840,900	\$42,106,810
Personal property-Regular roll	<u>1,522,391</u>	<u>1,522,391</u>
TOTAL	<u>\$55,363,291</u>	<u>\$43,629,201</u>

C. The Township of Columbia has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Columbia reimburses the State of Michigan for all benefits charged.

NOTE 4 – LONG-TERM OBLIGATIONS:

The Township purchased a vacant building in 2003. The Township's plans for the newly acquired building were to expand their library services and remodel and enhance their Township offices. This plan required extensive construction and therefore financing was required for this project. Financing in the amount of \$342,806, approved by the State of Michigan, was obtained from Independent Bank. The loan approval amount was \$400,000. The amount of the note payable as of March 31, 2008 is \$284,422. Interest expense incurred for the fiscal year ended March 31, 2008 was \$13,199 and it was reported in the governmental funds. The note is a direct obligation of the Township and is secured by the pledge of the full faith and credit of the Township of Columbia.

Long-term obligation activity can be summarized as follows:

	<u>BALANCE 4/1/07</u>	<u>ADDITION</u>	<u>PAYMENT</u>	<u>BALANCE 3/31/08</u>	<u>AMOUNT DUE WITHIN ONE YEAR</u>
Note Payable	<u>\$301,322</u>	<u>\$ - -</u>	<u>\$16,900</u>	<u>\$284,422</u>	<u>\$18,616</u>

The interest rate is 4% per annum due in semi-annual payments of \$15,000 including interest; the payments are due May 1 and October 1 starting on May 1, 2006. The note matures on December 19, 2012.

(CONTINUED)

TOWNSHIP OF COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 4 – LONG-TERM OBLIGATIONS: (CONTINUED)

The annual payments required to amortize the long-term obligation as of March 31, 2008, including interest of \$50,465, are as follows:

Years ending March 31,	Total
2009	\$ 30,000
2010	30,000
2011	30,000
2012	30,000
2013	<u>164,422</u>
	<u>\$284,422</u>

NOTE 5 - RISK MANAGEMENT:

The Township of Columbia, Tuscola County, Michigan participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$1,295,320 for real and personal property losses and \$5 million for liability losses. The Township of Columbia, Tuscola County, Michigan is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation:

The Township of Columbia, Tuscola County, Michigan, participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Employee Health Care:

No health benefits are provided.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF COLUMBIA

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Taxes	\$ 74,392	\$ 74,392	\$ 71,564	\$ (2,828)
Intergovernmental	49,000	49,000	59,442	10,442
Charge for services	300	300	370	70
Miscellaneous	4,300	4,300	9,272	4,972
TOTAL REVENUE	<u>127,992</u>	<u>127,992</u>	<u>140,648</u>	<u>12,656</u>
EXPENDITURES:				
Township board	13,500	16,000	8,785	7,215
Supervisor	15,600	16,000	16,072	(72)
Elections	1,000	1,000	837	163
Clerk	9,500	11,000	9,221	1,779
Board of review	1,000	1,000	727	273
Treasurer	10,000	11,000	10,472	528
Buildings and grounds	1,000	1,000	661	339
Cemetery	5,000	5,000	7,096	(2,096)
Drains at large	30,000	30,000	27,357	2,643
Debt service	35,000	35,000	30,133	4,867
TOTAL EXPENDITURES	<u>121,600</u>	<u>127,000</u>	<u>111,360</u>	<u>15,640</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>6,392</u>	<u>992</u>	<u>29,288</u>	<u>28,296</u>
FUND BALANCE-APRIL 1	229,171	229,171	229,171	
FUND BALANCE-MARCH 31	<u>\$ 235,563</u>	<u>\$ 230,163</u>	<u>\$ 258,459</u>	<u>\$ 28,296</u>

TOWNSHIP OF COLUMBIA

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - LIBRARY FUND FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE:				
Intergovernmental:				
Federal grant			\$ 15,346	\$ 15,346
State grant	\$ 3,500	\$ 3,500	1,859	(1,641)
Fines:				
Penal and book fines	18,600	18,600	16,762	(1,838)
Miscellaneous:				
Miscellaneous	2,000	2,000	3,048	1,048
Interest earnings	300	300	567	267
-Contributions from private sources	-	-	1,081	1,081
Videos	7,400	7,400	6,788	(613)
TOTAL REVENUE	<u>31,800</u>	<u>31,800</u>	<u>45,451</u>	<u>13,651</u>
EXPENDITURES:				
Salaries and wages			19,212	
Employee benefits			1,465	
Supplies			2,329	
Books, magazines and periodicals			3,328	
Videos, DVD's			3,573	
Summer reading program			346	
Membership dues			839	
Telephone			978	
Insurance			2,039	
Utilities			4,333	
Repairs and maintenance			498	
Miscellaneous			78	
Capital outlay			1,095	
TOTAL EXPENDITURES	<u>38,000</u>	<u>38,000</u>	<u>40,113</u>	<u>(2,113)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(6,200)</u>	<u>(6,200)</u>	<u>5,338</u>	<u>11,538</u>
FUND BALANCE-APRIL 1	<u>17,473</u>	<u>17,473</u>	<u>17,473</u>	
FUND BALANCE-MARCH 31	<u>\$ 11,273</u>	<u>\$ 11,273</u>	<u>\$ 22,811</u>	<u>\$ 11,538</u>

TOWNSHIP OF COLUMBIA

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - FIRE AND AMBULANCE FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes-Current property tax	\$ 45,100	\$ 45,100	\$ 42,464	\$ (2,636)
Miscellaneous - Interest earnings	900	900	1,901	1,001
TOTAL REVENUE	<u>46,000</u>	<u>46,000</u>	<u>44,365</u>	<u>(1,635)</u>
EXPENDITURES:				
Salaries and wages			231	
Employee benefits			74	
Fire and emergency service assessments			50,600	
TOTAL EXPENDITURES	<u>48,000</u>	<u>52,000</u>	<u>50,905</u>	<u>1,095</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(2,000)</u>	<u>(6,000)</u>	<u>(6,540)</u>	<u>(540)</u>
FUND BALANCE-APRIL 1	82,702	82,702	82,702	
FUND BALANCE-MARCH 31	<u>\$ 80,702</u>	<u>\$ 76,702</u>	<u>\$ 76,162</u>	<u>\$ (540)</u>

TOWNSHIP OF COLUMBIA

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE-
BUDGET AND ACTUAL - ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes - Current property tax	\$ 135,690	\$ 135,690	\$ 127,388	\$ (8,302)
Miscellaneous - Interest earnings	<u>1,000</u>	<u>1,000</u>	<u>3,368</u>	<u>2,368</u>
TOTAL REVENUE	<u>136,690</u>	<u>136,690</u>	<u>130,756</u>	<u>(5,934)</u>
EXPENDITURES:				
Road maintenance	100,000	100,000	81,661	18,339
Road brining			9,639	(9,639)
Road construction	100,000	100,000	131,830	(31,830)
TOTAL EXPENDITURES	<u>200,000</u>	<u>200,000</u>	<u>223,130</u>	<u>(23,130)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(63,310)</u>	<u>(63,310)</u>	<u>(92,374)</u>	<u>(29,064)</u>
FUND BALANCE-APRIL 1	195,421	195,421	195,421	
FUND BALANCE-MARCH 31	<u>\$ 132,111</u>	<u>\$ 132,111</u>	<u>\$ 103,047</u>	<u>\$ (29,064)</u>

TOWNSHIP OF COLUMBIA

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GARBAGE AND RUBBISH COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Charges for services	\$ 21,160	\$ 21,160	\$ 19,260	\$ (1,900)
Miscellaneous - Interest earnings	500	500	1,265	765
TOTAL REVENUE	<u>21,660</u>	<u>21,660</u>	<u>20,525</u>	<u>(1,135)</u>
EXPENDITURES:				
Wages			1,602	
Employee benefits			122	
Insurance			399	
Equipment rental			15,630	
Miscellaneous			135	
TOTAL EXPENDITURES	<u>20,000</u>	<u>20,000</u>	<u>17,888</u>	<u>2,112</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>1,660</u>	<u>1,660</u>	<u>2,637</u>	<u>977</u>
FUND BALANCE-APRIL 1	54,089	54,089	54,089	
FUND BALANCE-MARCH 31	<u>\$ 55,749</u>	<u>\$ 55,749</u>	<u>\$ 56,726</u>	<u>\$ 977</u>

Communication of Significant Deficiencies and Material Weaknesses

To the Township Board Members
Township of Columbia

In planning and performing our audit of the financial statements of the Township of Columbia as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Columbia's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we found a few instances where the Township was not in compliance with P.A. 2 regarding budget procedures. The Act provides that a local unit of government not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2008, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted.

In order to avoid incurring expenditures in excess of the appropriated amounts, the Act requires that the budget be amended when necessary. This would include reducing the budgeted amount if actual revenues are less than the estimated revenues originally budgeted, and increasing the budget to allow expenditures in excess of the original budget if excess amounts are available for transfer within the fund or if additional revenues become available. This can only be done if there are periodic comparisons between budget and actual figures throughout the year. If it appears that there are going to be unfavorable variances between the budgeted and actual year-to-date figures, the budget should be amended to eliminate the variance.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client we are auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

The personnel of the Township of Columbia have the capability to perform monthly internal accounting functions and reports as required by management. The personnel of the Township of Columbia do not have the expertise to prepare yearend adjustments and closing entries to convert to modified and full accrual basis. Also, the personnel of the Township of Columbia do not have the expertise to prepare the annual financial statements and related footnotes in accordance with the method of accounting utilized in the external audit report. We believe these meet the definition of material weaknesses under Statement on Auditing Standards 112.

This communication is intended solely for the information and use of management, the Township of Columbia Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Nietzke & Faupel P.C.

Nietzke & Faupel, PC
Sebewaing, Michigan

June 30, 2008